

Message Text

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PAGE 01 COLOMB 03006 170248Z

71

ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-07 /024 W

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R 161159Z AUG 76

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 5513

LIMITED OFFICIAL USE COLOMBO 3006

E.O. 11652: N/A

TAGS: EINV, CE

SUBJECT: POLITICAL RISK CONVERTIBILITY INSURANCE (OPIC)

REF: A) STATE A-3686, B) STATE A-1424

1. AN INFORMAL SURVEY OF SOME AMERICAN FIRMS OPERATING IN SRI LANKA INDICATES PRESENT CONVERSION PERIOD IS NORMALLY TWO TO FOUR WEEKS AFTER APPLICATION IS MADE TO EXCHANGE CONTROL DEPARTMENT OF CENTRAL BANK. THE ONLY EXCEPTION SEEMS TO BE IBM. LOCAL MANAGER OF IBM SALES OFFICE SAID HE HAS HAD AN APPLICATION PENDING SINCE 1972. HE SAID CENTRAL BANK KEEPS ASKING FOR ADDITIONAL DOCUMENTATION. THIS PROBLEM, HOWEVER, SEEMS TO BE UNIQUELY IBM'S, AS OTHER AMERICAN FIRMS REPORT NO SPECIAL PROBLEMS DESPITE SRI LANKA'S SEVERE SHORTAGE OF FOREIGN EXCHANGE.

2. AT PRESENT TIME, FOREIGN INVESTORS IN SRI LANKA HAVE NO LEGAL GUARANTEE THAT THEY WILL BE ALLOWED TO REMIT PROFITS, DIVIDENDS, OR LIQUIDATED INVESTMENTS. A 1972 "WHITE PAPER" OUTLINING GSL'S POLICY ON FOREIGN INVESTMENT STATES THAT SUCH CONVERSATIONS WILL BE PERMITTED, BUT THIS DOES NOT HAVE FORCE OF LAW. GSL, HOWEVER, HAS DRAFTED PROPOSED FOREIGN INVESTMENT AUTHORITY LAW WHICH WOULD, AMONG OTHER THINGS, PROVIDE LEGAL RIGHT OF CAPITAL REPATRIATION TO APPROVED INVESTORS (PART IV, PARAGRAPH 18 OF DRAFT LAW). PROPOSED LAW WAS MADE PUBLIC IN NOVEMBER 1975 BUDGET

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SPEECH OF FINANCE MINISTER FELIX BANDARANAIKE (SEE 75

COLOMBO 3643 AND COLOMBO 103). ALTHOUGH GSL IS
APPARENTLY COMMITTED TO IMPROVING CLIMATE FOR FOREIGN
INVESTMENT, OPPOSITION BY LEFTIST ELEMENTS IN AND OUT
OF GOVERNMENT HAS DELAYED PRESENTATION OF LAW TO
PARLIAMENT. IT NOW SEEMS LIKELY THAT LAW WILL BE SHELVED
UNTIL AFTER ELECTION WHICH WILL PROBABLY BE HELD NEXT
YEAR.
REED

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Message Attributes

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